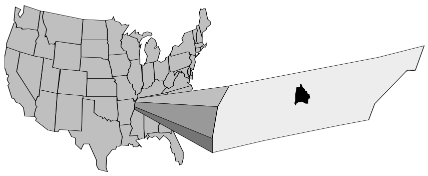
Metro Nashville and its Budget

Metro Government

The Metropolitan Government was formed in 1963 with the merger of the governments of the former City of Nashville and Davidson County. Metro Nashville is a friendly, forward thinking city with a diverse economy, strong transportation links, and many institutions of higher education. It is the capital of Tennessee, one of the largest cities in the mid-state, and the hub of a state of nearly 6.5 million residents.



As a consolidated government, Metro provides all services and performs all functions normally associated with Tennessee city and county governments. This also means that the government and its budget are more complex than those of most other cities and counties.

Services Districts

The Charter requires that Metro's operating budget be divided into two districts: the **General Services District** (**GSD**) and the **Urban Services District** (**USD**). The GSD is synonymous with Davidson County; the USD comprises the old City of Nashville plus certain areas added since Metro was formed.

The geographic areas, purposes, and functions of these two districts determine the way services are budgeted and provided in Metro. The two districts relate services provided to taxes paid. The GSD receives a base level of services; its property is taxed at the GSD rate to fund these services. The USD receives more of certain services, which are funded by an additional USD rate to fund those services.

The General and Urban Services Districts in a Nutshell

District	GSD	USD
Size	525 square miles 668,347* people **2014 Population: US Census Bureau*	187 square miles 434,086* people
Services	General government, financial management, schools, justice administration, law enforcement and incarceration, basic fire and ambulance, regulation and inspection, social services, health, hospitals, libraries, public works, traffic control, recreation.	GSD services plus additional police protection, additional fire protection, and additional public works (refuse collection & street lighting)

A variety of services are provided to Metro citizens directly by the federal, state, and other local governments. This book does not cover those services. However, information on them is available from various web sites.

- For federal services, see the U.S. Government site at www.usa.gov/.
- For state services, see www.tn.gov
- For any of the seven satellite cities within Davidson County, some basic information is provided under the listing for Satellite Cities in the Glossary (Appendix 2). For more current and detailed information, contact the satellite city directly.

  For additional information on the Board of Education budget, see their web site at http://www.mnps.org

Metro Nashville and its Budget

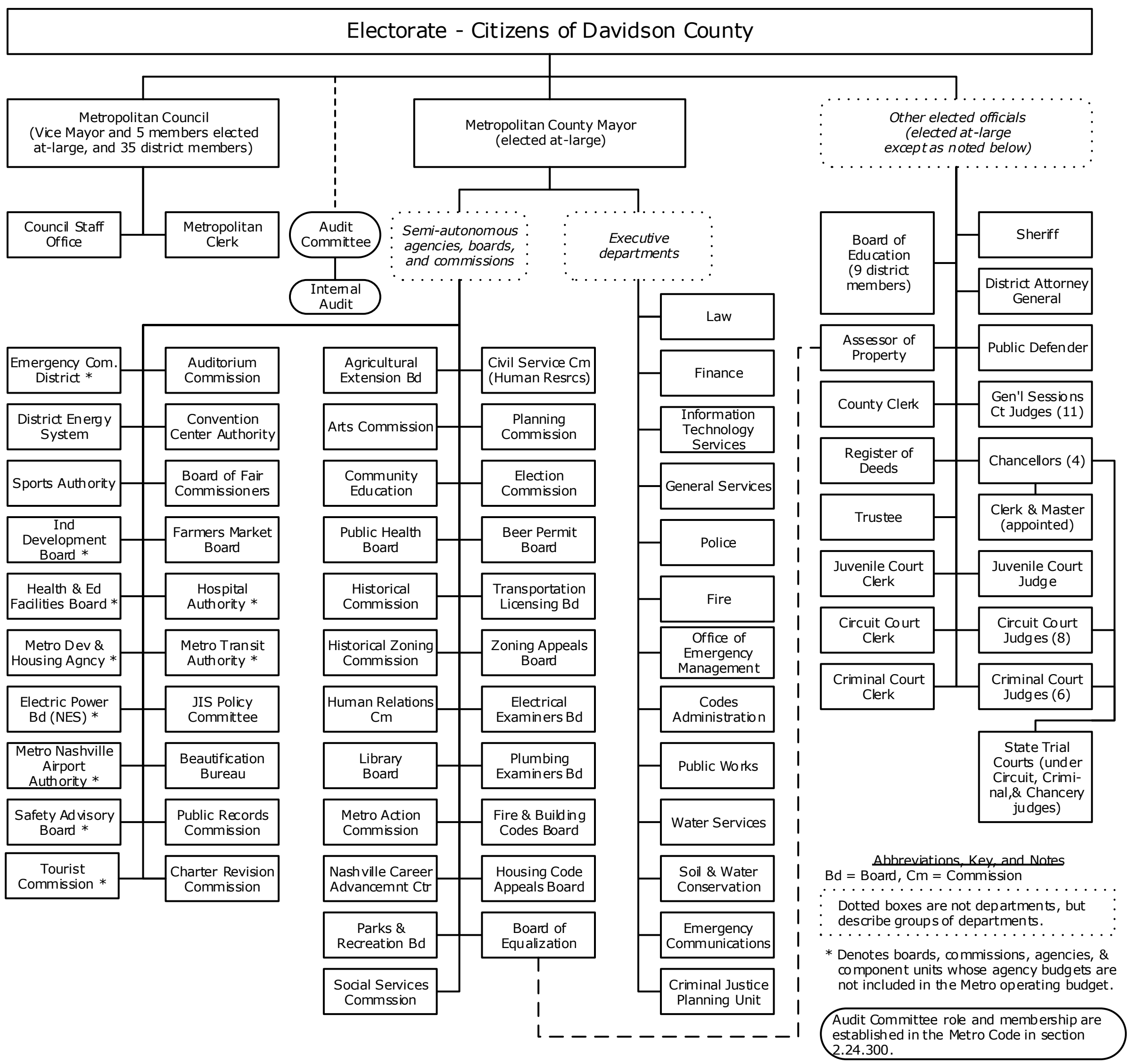
Organizational Structure

The following organization chart presents a high-level view of Metro's structure. The structure of each department is shown in that department's budget description, later in this book.

Metro has a "strong-mayor" form of government, in which the popularly-elected mayor is the city's chief executive and is independent of the Council.

Both the Mayor and Council are elected on a nonpartisan basis.

Within this framework, operations are conducted by executive departments (reporting to the Mayor), independent elected officials (including the elected Board of Education), and appointed boards, commissions, and agencies. The variety of elected officials, boards, and commissions facilitate citizen involvement in the government's operations.



Metro Nashville and its Budget

Financial Organization

Since the budget is a financial planning and policy document, it is organized according to Metro's financial accounting and coding structure. That coding structure – the chart of accounts – corresponds roughly to the government's administrative organization and service structure, while meeting the legal and accounting requirements of the government. It forms the basis for Metro budgeting, accounting, and financial reporting, and is used in both the budget ordinance and this book.

The entire budget is organized by fund. Revenues of each fund are organized by type and source. Expenditures of each fund are organized by business units, object codes, classifications, and positions.

The Fund Structure

A "fund" is an accounting entity with assets, liabilities, equities, revenues, and expenditures, held separate in the budget for certain specific activities or to accomplish definite objectives.

Budgetary Funds

Most of Metro's tax dollars are deposited into and spent out of six basic funds in the two districts:

GSD General Fund (fund number 10101)
GSD Debt Service Fund (20115)
Schools (MNPS) General Purpose Fund (35131)
Schools (MNPS) Debt Service Fund (25104)
USD General Fund (18301)
USD Debt Service Fund (28315)

These six budgetary funds provide the basic local government services to Davidson County. They are financed primarily through sales and property taxes, and their expenditures are controlled based on appropriations in the budget ordinance.

The two *General Funds* provide for the traditional operating services of the government. These funds receive property and sales taxes, charges for services, fees, fines, penalties, and other revenues.

The three *Debt Service Funds* finance the payment of interest and principal on long-term general obligation debt of each district. Per the Charter, debt service budgets must be sufficient each year to pay the principal and interest due on outstanding bonds.

The *School Fund* is Metro's biggest special revenue fund (described more generically below). It receives a dedicated portion of the property tax and, by state law, a portion of the local option sales tax. This fund's expenditures are budgeted and controlled by the Metropolitan Board of Public Education (MBOE) for the Metropolitan Nashville Public Schools (MNPS).

The two districts and six funds make it possible to allocate taxes and services in each district and fund. Revenue collected for each district can be spent only for purposes prescribed for that district. After the budget is passed, appropriations cannot be transferred between funds and/or districts except as specifically authorized in the budget ordinance.

Special Purpose Funds

Metro uses other types of funds for special purposes. Non-budgetary fund expenditures are limited to revenues received by and balances in each fund, rather than appropriations. Monies in these funds generally cannot be used to support other funds. These non-budgetary funds are explained below.

Internal Service Funds provide services to Metro departments on a cost reimbursement basis.

Enterprise Funds provide services to the public on the same basis. The primary enterprise funds are the Farmers' Market, State Fair, Municipal Auditorium, Community Education and Water Services funds.

Capital Projects Funds account for costs related to capital projects. These are not generally included in the operating budget.

Permanent Funds and *Fiduciary Funds* account for monies held for others. These are not generally included in the operating budget.

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for expenditure for specified purposes. These include the Schools Fund (mentioned above), Waste Management, grants, and the General Fund Reserve Fund (usually called the Four Percent Reserve Fund).

Accounting & Budgeting

This budget conforms to guidelines of the Charter and standard municipal budgetary practices, while the year-end *CAFR* conforms to governmental Generally Accepted Accounting Principles (GAAP), so they are not strictly comparable to each other. Specifically:

- This budget recognizes that Metro operates in two general funds, as required by the Charter and Tennessee law. Governmental GAAP recognizes only one general fund per government.
- This budget treats transfers to and from any fund as revenues and expenditures, respectively, of that fund. Governmental GAAP classifies them as "Other Sources & Uses of Funds."
- This budget does not include certain "component units" that are required to be included in the CAFR.

Departments and Their Budget Fund Types

Department	Dept. Number	GSD General Fund	USD General Fund	Special Revenue Fund(s)	Enterprise Fund(s)
Administrative	1	■	■	■	
Agricultural Extension	35	■			
Arts Commission	41	■			
Assessor of Property	16	■			
Beer Board	34	■			
Circuit Court Clerk	23	■			
Clerk and Master - Chancery	25	■			
Codes Administration	33	■		■	
Community Education Commission	70	■			■
Convention Center Authority	60271				■
County Clerk	18	■		■	
Criminal Court Clerk	24	■		■	
Criminal Justice Planning	47	■			
DES-District Energy System	68				■
District Attorney	19	■		■	
ECC Emergency Comm Center	91	■			
Election Commission	5	■			
Farmer's Market	60				■
Finance	15	■		■	
Fire	32	■	■		
General Services	10	■			■
General Sessions Court	27	■		■	
Health	38	■		■	
Historical Commission	11	■		■	
Human Relations Commission	44	■			
Human Resources	8	■			
Information Technology Service	14	■			■
Internal Audit	48	■			
Justice Integration Services	29	■			
Juvenile Court	26	■		■	
Juvenile Court Clerk	22	■		■	
Law	6	■			
Mayor's Office	4	■		■	
Metro Action Commission	75			■	
Metropolitan Clerk	3	■			
Metropolitan Council	2	■			
MNPS	80	■		■	■
Municipal Auditorium	61	■			■
NCAC	76	■		■	
Office of Emergency Management	49	■		■	
Office of Family Safety	51	■			
Parks	40	■		■	
Planning Commission	7	■		■	
Police	31	■	■	■	■
Public Defender	21	■			
Public Library	39	■		■	
Public Works	42	■	■	■	
Register of Deeds	9	■	■	■	
Sheriff	30	■		■	
Social Services	37	■		■	
Soil and Water Conservation	36	■			
Sports Authority	64	■			■
State Fair Board	62				■
State Trial Courts	28	■		■	
Trustee	17	■			
Water and Sewer	65			■	■

Areas shaded represent budgeted activity for the specified department in Fiscal Year 2016

Metro Nashville and its Budget

The Budget Process

The Operating Budget, Capital Improvements Budget (CIB), and Capital Plan are developed through a multi-step information gathering and priority setting process that establishes objectives and priorities of the city and creates a financial plan for the operations of the government for the fiscal year. The Charter defines much of the process. The Mayor's Office, Finance Department, Office of Management & Budget (OMB), agency officials, and the Metropolitan Council are key participants. The FY 2016 budget calendar is, as scheduled:

January 2015 – The OMB projected departments' operating baseline expenditure budgets based on their FY 2015 budgets.

January 14 – The Finance Department introduced the budget process for the FY16 fiscal year and notified departments of their target reduction number.

January 15 – Operating instructions and forms were released to departments on the "Inside Metro" and WEBudget intranet sites.

January 15 through February 4 – Departments submit their operating budget proposals and revenue estimates to the OMB in the WEBudget system.

February 4 – March 30 – The Finance Director and OMB staff review budget submissions, discuss budget issues and set priorities.

February 11 – Departments submit their capital budget proposals to the OMB and the Planning Commission in the WEBudget system.

March 30 – April 16 – The Mayor and Finance Director hold hearings with agency heads to discuss budget priorities.

April 30 – The Mayor's Office, Finance Director, and OMB complete and file the Mayor's Recommended Operating Budget and tax levy ordinances.

April 30 – Mayor and Finance Director present the Mayor's Recommended Operating Budget to the Council.

May 1 – Charter deadline to file the Operating Budget and tax levy ordinances.

May 15 – Charter deadline to file the CIB; Mayor's Office files CIB.

May 19 – First reading of the Mayor's Recommended Operating Budget, tax levy ordinances and Capital Improvements Budget by the Council.

June 2 – Public hearing and second reading of the Operating Budget and CIB by the Council.

June 9 – Third reading of the CIB by the Council.

June 15 – Charter deadline for the Council to pass the CIB.

June 16 – Third and final reading of the Operating Budget Ordinance; the Council is scheduled to adopt a Substitute Operating Budget Ordinance (with changes to the Mayor's Recommended Budget), the recommended tax levy ordinance, and the Urban Council resolution.

Prior to June 30 – Amending the budget

For the budget ordinance to be amended, it must occur before the third reading of the ordinance is complete. Typically, changes to the recommended budget are discussed between the Council Office and the OMB a few days prior to the scheduled third reading of the budget ordinance. OMB incorporates these changes into a substitute budget ordinance that is presented to the Budget and Finance Committee of the Council for review prior to the third reading. Council members also have the opportunity to file amendments with the Budget and Finance Committee prior to the third reading.

Amending the Budget After Council Approval - Once Council has passed the Final Budget, any further changes to budget totals must be approved by Council via Resolution, which requires only one reading.

June 30 – Charter deadline for the Council to pass balanced budget and property tax levy ordinances.

July 1, 2015 – June 30, 2016 – Fiscal year 2015–16 - Agencies provide services to customers and citizens. The budget may be amended as permitted by the Charter, the budget ordinance, and internal controls.

Late 2015 – An Independent CPA firm conducts the annual audit for FY 2015.

Late autumn 2015 – The Division of Accounts issues the *Comprehensive Annual Financial Report* (CAFR), summarizing the government's financial condition and results of operations for Fiscal Year 2014. This process is very public. All budget hearings and council meetings are televised by the Metro 3 Government Access Channel and by internet streaming video. Budget documents, the CAFR, and streaming video are available at www.nashville.gov.

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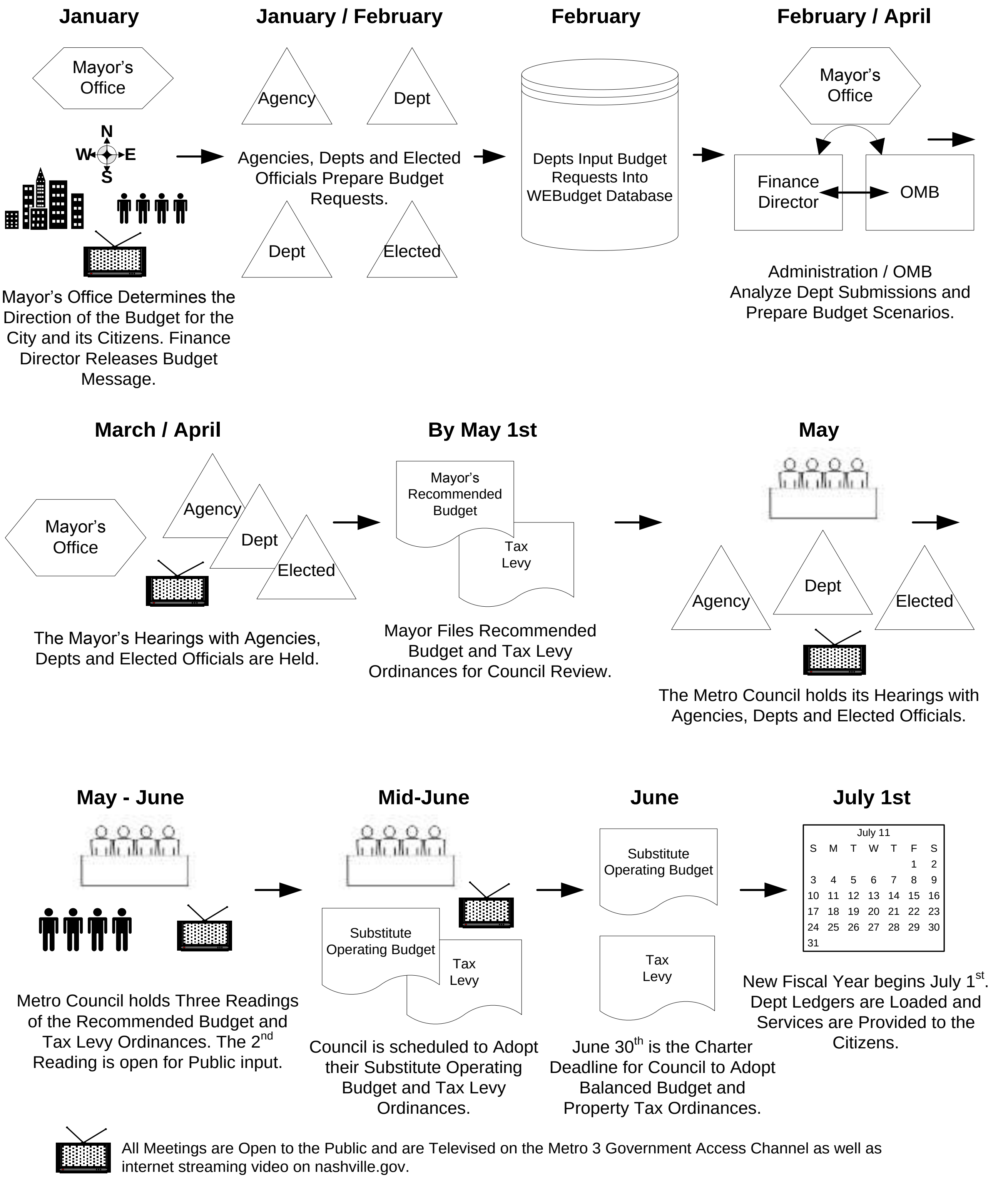
Metro Nashville and its Budget

Operating Budget Process

Metropolitan Government of Nashville and Davidson County



Metro Nashville and its Budget

Long-Term Financial Planning

The current Administration established four main priorities during the first term in office. Each of the four budgets submitted have consistently focused on protecting the following priorities:

- Education – by ensuring that every student in Nashville receives the best education possible
- Public Safety – by making a consistent and continued effort to ensure that every neighborhood feels safe
- Livability – by planning for the future of Nashville so that this is a city of opportunities, including the opportunity for citizens to pursue a healthy, productive lifestyle
- Economic Development – by bringing Nashville both strong employers and talented employees

These priorities continue to have a significant impact on the operating budget process. One critical component to these areas is grant funding beyond the operating budget. Securing grants is essential to continuing and improving each area. With the recent reductions in the federal government's budget, service impacts are imminent. Local government operating budgets cannot replace all of the lost grants.

All departments within the government were given the opportunity to establish strategic business plans which contain strategic and operational components. Departmental plans contain goals and objectives that support the Administration's priorities. The goals and objectives typically extend three to five years into the future. The strategic business plans align the departmental budgets with their goals and objectives. All departmental appropriations of budgeted funds are tied to the strategic plans.

Each year departments have established program-based, performance-informed budgets and strategic goals that support the achievement of the long-term priorities listed above. Strategic Business Plans serve as the foundation upon which departments allocate their resources. Departments allocate their resources according to the programs outlined in their Business Plans, always looking forward as to how the yearly budget will serve to assist the department in achieving their strategic goals and objectives. Departmental Strategic Business Plans contain both long-term goals and yearly objectives so departments can frequently track the performance and resource allocations to ensure the support of their long-term goals. The goals and objectives typically extend three to five years into the future also.

Each year the departments are given the opportunity to revise their strategic business plans. Once the revisions are approved, departmental budgets may be realigned to properly match funding with the programs that meet their needs to achieve their long-term goals.

The Administration's priorities and departmental strategic business plans are posted on the government's main website.

Financial Policies

The budget is governed by policies set out in the Charter and by executive decision. These policies are enforced by the Department of Finance through ongoing processes, internal control systems, special analyses, and in the annual independent audit.

The primary fiscal policies stated in the Charter are:

- **Fiscal year** - The fiscal year begins on July 1 and ends on the following June 30. (Charter §6.01) By custom, each fiscal year can be referenced in two ways: by using both years (e.g., "2014-2015") or by the calendar year in which the fiscal year ends (e.g., "FY 2015" for 2014-2015).

- **Budget Preparation** - The budget process (described on the previous page) must begin by March 1. All officers and agencies must furnish such information as the Finance Director requests in the format he or she specifies. Agencies are entitled to a hearing before the Director on any contemplated changes in their budgets (§6.02); this is assured through the Mayor's budget hearings, in which all departments are generally asked to present their budgets to the Mayor and the Director. Operationally, most budget preparation is coordinated by the Office of Management and Budget (OMB).

- **Scope of the Operating Budget/ Balanced Budget** - The budget ordinance is organized by district, fund, and account number. Each fund's budget must be balanced: estimated revenues plus estimated fund balances must cover all budgeted expenditures (§6.03).

- **Public Inspection** - The Mayor's recommended budget is submitted to the Council by May 1 as an ordinance accompanied by a transmittal message. The Metropolitan Clerk publishes the ordinance's revenue and expenditure summaries in major local newspapers. The operating budget, the capital improvements budget, the budget message, and all supporting schedules are public records in the Office of the Metropolitan Clerk and are open to public inspection (§6.04). The OMB also prepares a Recommended Budget Book, intended primarily for the Council but also useful to the media and the public, containing more information on the recommended budget. Copies of the ordinance are available in the Clerk's office and from the Finance Department; the budget is available at www.nashville.gov/citizens_budget.

- **Council Hearings** - Once in the Council's hands, the budget goes through three readings. Between first and third readings, the Budget and Finance Committee holds a public series of departmental hearings, and the Council holds a Charter-mandated hearing for public comment (§6.05).

- **Council Action** - The Council may approve the Mayor's budget, amend it, or create a substitute. They cannot change revenue estimates except to correct errors. A balanced budget must be approved by midnight June 30, or the Mayor's budget and proposed tax rate take effect by default (§6.06).

- **Authorized Spending** - Departments cannot overspend their budgets. The amount set out in the adopted operating budget for each organizational unit, purpose, or activity constitutes the annual appropriation for such item; no expenditure shall be made or encumbrance created in excess of the otherwise unencumbered balance of the appropriation or allotment to which it is chargeable (§6.06).

Metro Nashville and its Budget

- **Property Tax Levies** - The budget is accompanied by a property tax levy ordinance that sets a tax rate sufficient to fund the budget (§6.07).

- **Allotments** - Annual appropriations are divided into quarterly allotments based upon estimated needs (§6.08).

- **Administrative Impoundments** - Unencumbered funds in each account at the end of each quarter may be unallotted through "administrative impoundments." These are merely allotment adjustments, not the "charter impoundments" discussed immediately below in §6.09.

- **Impoundment of Funds -** If the Finance Director certifies that the revenues or other resources actually realized for any fund are less than was anticipated and are insufficient to meet the amounts appropriated from such fund, the Mayor is obligated to impound such appropriations as may be needed to prevent deficit operation (§6.09). Such impoundments reduce appropriations and allotments in order to keep the budget balanced.

- **Additional Appropriations** - The Council may make appropriations in addition to the current operating budget, but only from an existing, unappropriated surplus in the fund to which it applies (§6.10). This is done by resolution based on available fund balance or previously-unbudgeted revenue.

- **Intradepartmental Budget Transfers** - Funds may be transferred within a department's expenditure budget by the department head and the Mayor and are available for use when allotted (§6.11). As an administrative matter, the Deputy Finance Director also approves the transfer.

- **Interdepartmental Budget Transfers** - At the end of any quarter, the Council may, by resolution, transfer the unencumbered balance of any appropriation (or any portion thereof) to another appropriation within the same district and fund (§6.11).

- **Lapse of Appropriations -** At the end of the fiscal year, all unencumbered balances of appropriations in the current operating budget lapse into the unappropriated fund balance or reserves of the fund or funds from which such appropriations were made (§6.12). Unencumbered appropriations cannot be carried over from one fiscal year to the next.

- **Capital Improvements Budget Preparation** - By March 1, the Planning Commission shall begin to prepare a Capital Improvements Budget (CIB). The CIB includes a program of proposed capital expenditures for the ensuing fiscal year and the next five fiscal years thereafter, accompanied by the Commission's report and recommendations with respect to the program. By May 15, the Mayor shall submit the CIB to the Council and shall recommend those projects to be undertaken during the ensuing fiscal year and the method of financing them, and shall include in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year. By June 15, the Council shall accept, with or without amendment, or reject, the proposed program and proposed means of financing (§6.13).

- **Capital Improvements Budget Expenditures** - Expenditures for the construction of any building, structure, work or improvement must be included in the CIB, except to meet a public emergency (§6.13).

- **Capital Improvements Budget Amendments** - Amendments to the CIB may be made by recommendation of the Mayor, Planning Commission, and a two-thirds vote of Council (§6.13).

- **GSD General Fund Reserve (Four Percent Reserve Fund)** - Four percent of original revenues are deposited to the Four Percent Reserve Fund. The Mayor and Council may appropriate money from this fund by resolution for the purpose of equipment for any department that derives its operating funds from the general fund budget (§6.14).

- **Advance Planning and Research Fund** - The APR Fund, established for the use of the planning commission to prepare plans for capital projects and studies and research, must be at least $50,000 at the start of each year (§6.14).

- **USD General Fund Reserve** - The Council has not exercised its ability to create a contingent reserve fund not to exceed five (5%) percent of the general fund revenue of the USD (§6.14).

- **Post Audit** - The Council shall provide annually for an independent audit of the accounts and other evidences of financial transactions of the government and of every department, office and agency. The audit shall be made by a certified public accountant (CPA) or firm of CPAs thoroughly qualified in governmental accounting to perform the audit; the auditor shall be chosen by a three-member audit board consisting of the presiding officer of the Council, the chairman of the finance committee of the Council, and the chairman of the board of education. The audit report shall be available to the public and to the press. In addition, the Council may at any time order an examination or special audit of any department, office or agency of the government (§6.15).

- **Mayor's Veto Power** - The Mayor has line-item veto power, that is, the ability to reduce or veto specific appropriations or parts of appropriations within an ordinance. The Council may override such a veto by the affirmative vote of 27 members (§5.04).

- **Bond Issues** - Bond issues and debt service shall be prepared and administered in accordance with Article 7 of the Charter (§7.01 et seq.).

- **Transfer of School Funds Within School Budget** - Within the constraints of general law, the Metropolitan Board of Public Education (MBOE) has authority over the distribution of, and transfer of funds within, its budget (§9.12).

- **Referendum as to School Budget** - The MBOE may initiate a referendum to levy additional property taxes for schools (§9.04(3)).

- **No Diversion of School Funds** - No funds that are appropriated for the use of, or transferred to, the school system shall be diverted from that use for any other purpose (§9.11).

- **Transfers to School Fund from General Funds; Borrowing Money -** The Council and the Mayor may advance cash or transfer monies from the general fund to the school fund, provided the advance or transfer is reimbursed the following year (§9.13). An advance involves a loan of cash with the establishment of an asset (a receivable or a "due from") on the books of the loaning fund and a liability (a debt or a "due to") on the part of the recipient. A transfer would include appropriation of one fund's revenues or fund balance to another, handled through the budget as if it were an expenditure to one fund and a revenue (or source of operating resources) to the other.

Other important policies include:

- **Functions of Director of Finance -** The Director of Finance is responsible to the Mayor for the administration of financial affairs and shall supervise the divisions of budgets, accounts, purchasing, collections, and treasury. The Director of Finance, or his designee, shall compile for the Mayor the current budget of estimated revenues and proposed expenditures for each of the operating funds and assist in the preparation of the capital improvements budget (§8.103).

- **Functions of Budget Officer -** The budget officer compiles the departmental estimates and other necessary data and assists in the preparation of the budgets. The budget officer monitors departmental budgets as compared to actual activity and alerts the Finance Director of any significant issues. Along with the chief accountant, the budget director writes, revises, and maintains a proper standard procedure manual to be followed by all departments to insure uniform accounting and budgetary procedures (§8.104).

- **Funds Budgeted** - The budget ordinance and book contain annually-budgeted governmental operating funds, debt service funds, enterprise funds, internal service funds, and special revenue and other grant funds with fiscal years beginning July 1. It does not include grant funds with non-Metro fiscal years, capital projects, bond funds, fiduciary funds, permanent funds, component unit funds (unless the component unit receives significant general fund money), and other funds with multi-year budgets. The budgets of funds that are not included in the annual operating budget are approved through other processes as required by law.

- **Basis of Budgeting and Accounting** - All annually-budgeted funds are budgeted using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the fiscal year or soon enough thereafter to pay liabilities of that year (collected within 60 days of the end of the fiscal year). Property taxes, franchise taxes, licenses, interest, and certain portions of special assessments associated with the fiscal year are accrued. All other revenue items are considered to be measurable and available only when Metro receives the cash.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to non-vested sick pay, compensated absences and other long-term commitments and contingencies, are recorded only when payment is due.

Actual revenues and expenditures of governmental funds are presented in this book using the same modified accrual basis. Actual revenues and expenditures of proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

- Accounting and financial reporting shall conform to generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB), the federal Office of Management and Budget, the Federal Comptroller General, and the State of Tennessee.

- Current operating costs will be financed by current operating revenues. Only capital goods will be financed by long-term debt, and then, only as provided by the Charter. The government shall refrain from using nonrecurring revenue to fund ongoing operations of the three operating funds. Nonrecurring revenue shall be those funds not normally accrued to the benefit of the operating funds each year, including transfers from special, enterprise, and internal service funds. Any nonrecurring revenue received shall be utilized to fund activities that do not require ongoing funding or to build reserves. To protect the financial position of this government in the event of unexpected emergencies or unforeseen downturns in revenue collection, fund balances will not be appropriated in any budgetary fund unless the audited unreserved undesignated fund balances of that fund are at least 5% of the fund's budgeted expenditures (Resolution R89-959 adopted 11/21/1991).

- The government will strive to maximize service efficiency and effectiveness to its citizen taxpayers in a manner consistent with practices of sound financial management.

- Revenue estimates will be realistic and accurate without being optimistic. Operationally, this means that estimates will be based on objective judgment and should be 95% to 100% of actual collections without exceeding those actual collections.

- The government will not commit to programs with significant future costs without first identifying those costs and the sources of funds to finance those programs.

- Generally, the government will not use local funding to make up for lost state and federal categorical grants.

- Adjustments and amendments to the operating budget will be done in accordance with provisions of Article 6 of the Charter.

- Staffing levels will be limited to final position counts and FTEs noted in this book. Exceptions to this policy (as for new grant-funded staff) are strictly regulated by the Finance Department.

- USD tax-supported debt will be no more than 15% of the total assessed valuation of USD property, per § 7.08 of the Charter.

- Capital expenditures are authorized through an annual Capital Plan. Major capital expenditures for

General Fund departments shall be funded through issuance of bonds or notes. Smaller capital expenditures for GSD General Fund departments shall be made from the Four Percent Reserve Fund. Capital expenditures for grants will be made through the grant's operating budget. Capital expenditures for enterprise and internal service fund operations will be made from those funds.

- The Four Percent Reserve Fund will maintain a minimum fund balance of $1,000,000: $500,000 by Administration policy and an additional $500,000 by Council policy.

- The government will control costs by appropriate competitive bidding (as specified in the purchasing ordinance).

- Investments shall be made in conformance with the government's investment policy (available at www.nashville.gov) and instructions given to the government's investment manager. Those documents establish a hierarchy of objectives of (1) preserving principal, (2) maintaining liquidity, and (3) maximizing return. They also define allowable types of investments, required collateralization, custody, internal controls, diversification, and operation of the Metro investment pool.

- Indirect Cost Planning and Recovery - Where allowable under Federal, State and Local statutes and grant regulations, Metro departments and agencies shall develop an annual indirect cost recovery plan which must include both cost identified in the Local Cost Allocation Plan (LOCAP) and departmental indirect cost allocations. Indirect costs must be recovered when funding is made available through reimbursement or draw-down processes, in accordance with the terms of each departmental indirect cost rate proposal or cost allocation plan and applicable Federal, State and Local grantor's regulations. Departments and agencies shall make provisions for indirect costs in their grant budgets both during the application submission and in the general ledger. Funds collected from grantors for indirect cost recovery shall be deposited into the General Fund based on guidance provided by the Finance Director or his designee.

- Debt Management Policy establishes the objectives and practices for debt management within Metro and assists concerned parties in understanding Metro's approach to debt management. A more detailed overview of the Debt Management Policy can be found with the Debt Service Fund pages.

- Self-Funding Policy establishes uniform guidelines for use of self-funding as a designated source for capital assets that are determined to either provide cost savings to Metro to cover the cost of funding assets or provide specific benefits to one or more agencies such that the cost for an asset should be recovered from the operating budgets of the beneficiaries.

- Disallowed Cost Policy provides guidelines on ensuring costs charged to grants are allowable and an appropriate course of action in situations where costs are questioned.

- Grant Drawdown and Reimbursement Policy ensures that Metro departments and agencies that are grant recipients receive revenue as early and as often as is allowable under the terms of the grant contract.

- Grants Management Policy establishes the responsibilities of the Metro departments and agencies as well as the Division of Grants Coordination in developing funding opportunities that are well suited to local needs while controlling costs associated with financial assistance.

- Unclaimed Property Policy establishes uniform guidelines across Metro for the disposition of unclaimed property.

Budget Overview

The following pages provide background information on Metro's revenues and ongoing expenditures. Revenue projections and expenditure changes are discussed in the Executive Summary at the beginning of this section.

Revenues

Deficit financing is prohibited by both Tennessee Law and the Metropolitan Charter; expenditures must be matched by equal dollars of revenue and appropriated fund balances.

The operating budgets for the GSD and the USD are supported by a variety of revenue sources. The primary sources are presented in the Executive Summary pie chart on page A-3 and table on page A-4. The primary sources are discussed on the following pages.

Detailed revenue projections are included in the budget ordinance, which is included in the Executive Summary. Recent revenue trends can be seen in Appendix 1 in Schedule 1 - Summary of Revenues, Expenditures, and Changes in Fund Balances.

Property Taxes

The largest single source of operating revenue is the property tax. The property tax is authorized by the State Constitution as an *ad valorem* ("according to value") tax based on the market value of property. This tax is levied based on the assessed value of various types of property, including:

- real property (land, structures, and leasehold improvements),
- personal property (business equipment, excluding inventories for resale), and
- public utility property (real and personal property owned by utilities and organizations regulated by the State).

Property tax law and policy are set by the State Constitution, legislature, courts, and Board of Equalization. The Legislature makes laws which govern the administration of the tax. The State Board of Equalization establishes rules and regulations to be followed by local assessors, and the entire process is subject to court interpretation.

The tax bill for a property is determined by:

- The appraised value of the property – what it would bring if sold on the open market – and its classification – whether it is used for residential, utility, commercial, industrial or farm purposes, which determines the percentage of assessment;
- The assessment - applying the classification percentage against the appraised value to arrive at an assessed value; and,

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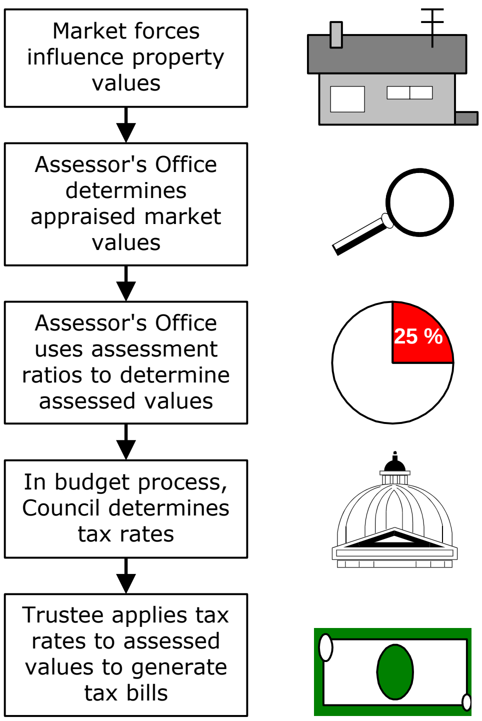
- The tax rate set by the local governing body which is applied to the assessment to calculate your property tax bill.

Certain types of property (governmental, religious, charitable, scientific, educational, etc.) are exempt from property taxes.

How the Property Tax Works: The following diagram shows the appraisal and budgetary process.

Market values – Market values of property are set in the open market. Market value is the most probable price of a piece of property in an arms-length transaction between a willing and knowledgeable buyer and a willing and knowledgeable seller.

Appraisal – The Assessor of Property's role is to determine the value of property so that the tax burden is



distributed equitably among all property owners. That office executes tax policy to identify, classify, appraise and assess all property. In Metro, the Assessor must:

- Produce an annual assessment roll—adding new construction and removing demolished buildings.
- Perform site inspections of all properties to update assessment records.
- Collect and verify sales prices for all real estate transfers.
- Analyze sales data and property characteristics to produce 100% appraisals in the fourth year of the appraisal cycle.

Metro's Assessor of Property determines the appraised value of all real and personal property in the county, except public utilities (whose values are determined by the State Comptroller's Office). Appraised value is the estimated market value of the property at a certain point in time (currently 2014).

The appraised value of a property is an estimate of its market value. Three appraisal methods are used to estimate each property's market value:

- The estimated *cost* to replace a structure, referred to as "replacement cost new," adjusted for depreciation based on the property's age and condition, yielding the "depreciated replacement cost."
- The *market value* or sale prices of similar properties that have recently sold.
- The *present value of the future net income* that can be generated by that or similar properties, sometimes called the "capitalization of income" method.

When used together, these three methods give the appraiser the best indication of what a property is worth. With the aid of modern computer systems, the Assessor has adapted these traditional appraisal techniques to produce large-scale reappraisal projects with accurate and cost effective results.

In most years, appraised values on existing real property do not change unless there are substantial taxable additions or improvements to the property, the property is rezoned, or the owner files and wins an appeal from the county or state Board of Equalization. New construction between reappraisals is valued at levels consistent with tax roll appraisals of similar existing properties.

However, over time, the market values of properties may change considerably and at different rates. The resulting inconsistency with the market causes some property owners to pay taxes based on appraisals that exceeded the current value of their property, while others pay on appraisals that reflected only a portion of the current value.

So, in accordance with state law, the Assessor's Office conducts a county-wide reappraisal every four years to bring appraised values up to current market values. (Current law allows for reappraisals on a four-year or six-year cycle; the Metro Assessor has chosen the former. The last reappraisal was for tax year 2013 or FY2014). After the reappraisal, all properties should be appraised consistently at 100% of their current market values. Periodic reappraisals are designed to equalize the appraised values of all property.

Tennessee's property tax laws protect taxpayers against an automatic or arbitrary increase in their tax bills after a reappraisal. Local governments must lower the tax rate to a level which will produce the same amount of revenues from the new appraisals as was generated from the old rates and appraisals - except for new construction. This is called the certified tax rate. Therefore, under the state law, your property tax bill can't be raised by reappraisal unless your property value has grown more in value than the average for all other property in the county.

In between reappraisals, the state performs a biennial analysis of appraised values conducted for all counties in the state. This analysis, known as a sales ratio study, compares sales prices with appraised values to determine both the level and equity of appraisals. However, this ratio is not used to increase residential property appraisals.

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Assessment: In Tennessee the assessed value upon which taxes are levied is a fraction (percentage) of the appraisal. The percentage varies depending on the classification of the property, which is determined by its use. The assessed value, not the appraised value, is applied to the tax rate to produce a tax bill.

One of the reasons the Assessor inspects all property is to verify how it is used. The Tennessee Constitution mandates assessment percentages to be applied to the appraised value of different classes of property. These percentages are:

Property Class	Assessment Rate
Residential & Farm	
• Real Property	25% of appraised value
• Personal Property	5% of appraised value ($7,500 exemption)
Commercial & Industrial	
• Real Property	40% of appraised value
• Personal Property	30% of appraised value
Public Utility	55% of value set by the State Comptroller

The appraised values are multiplied by percentages defined in the state constitution to arrive at assessed values, which are then multiplied by the tax rate to determine the taxes owed. This is described in detail later in the section on Property Reappraisal.

For example, the assessed value of a residential property with an appraised value of $100,000 would be $25,000 (.25 X $100,000), while a commercial property of the same appraised value would have an assessed value of $40,000 (.40 X $100,000).

Assessments must be compiled annually on assessment rolls for the GSD, USD, and each of the seven satellite cities within the county.

If the value of a piece of property changes (usually because of an improvement to or demolition of the property), notices of the property's new appraised value, the classification in which it is now placed, and the resulting assessment are mailed by the Assessor. There is a process established for appeals of the appraisal, but the Assessor can only consider information about value, not tax bills.

Tax rate set through budget process: The tax rate is set through the budget process in the form of a tax levy ordinance that is recommended by the Mayor and approved by the Council. That ordinance (printed in the Executive Summary of this book) sets the GSD and USD rates per $100 of assessed value.

Tax bills are generated: The Trustee's office prepares and distributes tax bills based on the assessed value of each property and the tax rate for its district.

To calculate your property tax bill, divide the assessed value by $100 and then multiply that amount by the tax rate. For example, a property classified as residential and appraised at $100,000 would be assessed at $25,000 (the $100,000 appraised value times the 25% residential assessment ratio). With a tax rate set at $4.52, the calculation would be:

tax = ($25,000/$100) x $4.52 per $100
= $250 x $4.52
= $1,130.00

Property tax bills are mailed to property owners and, if taxes are paid through an escrow account, also to the mortgage holder. This normally occurs in late September or early October. Tax payments are due by the end of the following February and can be mailed to the Office of the Trustee or made online at www.nashville.gov/trustee.

Property taxes can also be paid over the internet at www.nashville.gov.

Metro and the state assist the elderly and disabled with property taxes on the first $25,000 appraised value of their homes through the Property Tax Relief program administered by the Trustee. The program also assists disabled veterans with the first $25,000 of assessed value of their property.

Property Value Trends: Total assessed values have decreased significantly over the past year due to the national economic downturn.

Construction of taxable property has weakened over the past year. Local growth, as measured by the value of permits issued, follows this trend and has decreased over the past year as well (although many of those permits are for tax-exempt projects). This is in line with the statewide and national trends.

Property Tax Rates: FY2015 and FY2016 recommended tax rates are shown in the Executive Summary and in the tables on the following pages. The combined rate is the total paid for property in the USD; property outside the USD is taxed at the GSD rate. Residents of the seven satellite cities within Metro pay the GSD rate plus the rate set by that satellite city.

Nashville's property tax rates are currently the lowest of the four major Tennessee cities, and competitive with those of surrounding communities.

Historic property tax rates, tax rate changes, and property values are presented in the following tables.

The **History of Property Tax Rates** table presents historic nominal property tax rates along with a summary of changes that have taken place. If no changes occurred, then the fiscal year is not presented.

The **Property Tax Rate Changes** table on the following page shows the history and type of tax rate changes, whether from budget-related tax increase, redistribution of the rate between funds, changes in the fire tax or county-wide property reappraisals.

History of Property Tax Rates

		GSD					USD			Totals	
Tax Year	Fiscal Year	General Fund	School Fund	Debt Service Fund	School Debt Service	GSD Total	General Fund	Debt Service Fund	USD Total	Combined Total GSD+USD	Fire District Transfer*
1962	1963	1.36	1.78	0.56	-	3.70	1.55	0.45	2.00	5.70	-
1963	1964	1.36	1.78	0.56	-	3.70	1.55	0.45	2.00	5.70	-
1964	1965	1.36	1.78	0.56	-	3.70	1.60	0.40	2.00	5.70	-
1965	1966	1.36	1.78	0.36	-	3.50	1.66	0.14	1.80	5.30	-
1966	1967	1.40	1.78	0.32	-	3.50	1.68	0.12	1.80	5.30	-
1967	1968	1.40	1.78	0.32	-	3.50	1.60	0.20	1.80	5.30	-
1968	1969	1.40	1.78	0.32	-	3.50	1.60	0.20	1.80	5.30	-
1969	1970	1.40	1.78	0.32	-	3.50	1.60	0.20	1.80	5.30	-
1970	1971	1.40	1.78	0.32	-	3.50	1.60	0.20	1.80	5.30	-
1971	1972	1.71	2.08	0.32	-	4.11	1.60	0.29	1.89	6.00	-
1972	1973	1.63	2.08	0.40	-	4.11	1.57	0.32	1.89	6.00	-
1973	1974	1.63	2.02	0.46	-	4.11	1.55	0.34	1.89	6.00	-
1974	1975	1.63	2.02	0.46	-	4.11	1.55	0.34	1.89	6.00	-
1975	1976	1.63	2.02	0.46	-	4.11	1.59	0.30	1.89	6.00	-
1976	1977	1.63	2.02	0.46	-	4.11	1.55	0.34	1.89	6.00	-
1977	1978	1.96	2.02	0.46	-	4.44	1.22	0.34	1.56	6.00	0.33
1978	1979	1.99	2.02	0.43	-	4.44	1.29	0.27	1.56	6.00	0.33
1979	1980	1.99	2.02	0.43	-	4.44	1.29	0.27	1.56	6.00	0.33
1980	1981	2.39	2.08	0.45	-	4.92	1.64	0.27	1.91	6.83	0.33
1981	1982	2.39	2.08	0.45	-	4.92	1.64	0.27	1.91	6.83	0.33
1982	1983	2.39	2.08	0.45	-	4.92	1.64	0.27	1.91	6.83	0.33
1983	1984	2.39	2.08	0.45	-	4.92	1.64	0.27	1.91	6.83	0.33
1984	1985	1.11	0.96	0.21	-	2.28	0.76	0.13	0.89	3.17	0.16
1985	1986	1.45	1.09	0.35	-	2.89	0.90	0.13	1.03	3.92	0.16
1986	1987	1.45	1.09	0.35	-	2.89	0.90	0.13	1.03	3.92	0.16
1987	1988	1.47	1.07	0.35	-	2.89	0.90	0.13	1.03	3.92	0.16
1988	1989	1.97	1.24	0.43	-	3.64	1.02	0.15	1.17	4.81	0.16
1989	1990	1.97	1.24	0.43	-	3.64	1.02	0.15	1.17	4.81	0.16
1990	1991	1.97	1.24	0.43	-	3.64	1.02	0.15	1.17	4.81	0.16
1991	1992	1.92	1.29	0.43	-	3.64	1.02	0.15	1.17	4.81	0.16
1992	1993	1.92	1.29	0.43	-	3.64	1.02	0.15	1.17	4.81	0.16
1993	1994	1.95	1.01	0.43	0.11	3.50	0.88	0.12	1.00	4.50	0.12
1994	1995	1.95	1.01	0.43	0.11	3.50	0.88	0.12	1.00	4.50	0.12
1995	1996	1.91	1.01	0.47	0.11	3.50	0.88	0.12	1.00	4.50	0.12
1996	1997	1.91	1.01	0.47	0.11	3.50	0.88	0.12	1.00	4.50	0.12
1997	1998	1.69	0.96	0.49	0.13	3.27	0.74	0.11	0.85	4.12	0.10
1998	1999	1.68	0.96	0.50	0.25	3.39	0.74	0.11	0.85	4.24	0.10
1999	2000	1.68	0.96	0.50	0.25	3.39	0.74	0.11	0.85	4.24	0.10
2000	2001	1.68	0.96	0.50	0.25	3.39	0.74	0.11	0.85	4.24	0.10
2001	2002	1.97	1.24	0.43	0.20	3.84	0.64	0.10	0.74	4.58	0.09
2002	2003	1.94	1.27	0.43	0.20	3.84	0.64	0.10	0.74	4.58	0.09
2003	2004	1.94	1.27	0.43	0.20	3.84	0.64	0.10	0.74	4.58	0.09
2004	2005	1.94	1.27	0.43	0.20	3.84	0.64	0.10	0.74	4.58	0.09
2005	2006	2.00	1.33	0.54	0.17	4.04	0.56	0.09	0.65	4.69	0.08
2006	2007	2.07	1.33	0.47	0.17	4.04	0.56	0.09	0.65	4.69	0.08
2007	2008	2.06	1.33	0.48	0.17	4.04	0.56	0.09	0.65	4.69	0.08
2008	2009	2.06	1.33	0.48	0.17	4.04	0.53	0.12	0.65	4.69	0.08
2009	2010	1.82	1.17	0.42	0.15	3.56	0.46	0.11	0.57	4.13	0.07
2010	2011	1.82	1.17	0.42	0.15	3.56	0.46	0.11	0.57	4.13	0.07
2011	2012	1.82	1.17	0.42	0.15	3.56	0.46	0.11	0.57	4.13	0.07
2012	2013	2.01	1.40	0.43	0.25	4.09	0.46	0.11	0.57	4.66	0.07
2013	2014	1.91	1.42	0.42	0.18	3.93	0.48	0.11	0.59	4.52	0.08
2014	2015	1.91	1.42	0.42	0.18	3.93	0.48	0.11	0.59	4.52	0.08
2015	2016	1.91	1.42	0.42	0.18	3.93	0.50	0.10	0.59	4.52	0.08

* The Fire District transfer of the GSD General Fund to the USD General Fund for fire protection.
** Reappraisals took place in tax years 1973, 1984, 1993, 1997, 2001, 2005, 2009 and 2013 (fiscal years 1973-74, 1984-85, 1993-94, 1997-98, 2001-02, 2005-06, 2009-10, 2013-2014).

Property Tax Rate Changes

			GSD					USD			Totals	
Tax Year	Fiscal Year	Type Chng	General Fund	School Fund	Debt Service Fund	School Debt Service	GSD Total	General Fund	Debt Service Fund	USD Total	Combined Total GSD+USD	Fire District Transfer*
1971	1972	T	0.31	0.30	-	-	0.61	-	0.09	0.09	0.70	-
1972	1973	D	(0.08)	-	0.08	-	-	(0.03)	0.03	-	-	-
1973	1974	D	-	(0.06)	0.06	-	-	(0.02)	0.02	-	-	-
1977	1978	F	0.33	-	-	-	0.33	(0.33)	-	(0.33)	-	0.33
1978	1979	D	0.03	-	(0.03)	-	-	0.07	(0.07)	-	-	-
1980	1981	T	0.40	0.06	0.02	-	0.48	0.35	-	0.35	0.83	-
1984	1985	R	(1.28)	(1.12)	(0.24)	-	(2.64)	(0.88)	(0.14)	(1.02)	(3.66)	-
			1.11	*0.96*	*0.21*	-	*2.28*	*0.76*	*0.13*	*0.89*	*3.17*	*0.16*
1985	1986	T	0.34	0.13	0.14	-	0.61	0.14	-	0.14	0.75	-
1987	1988	D	0.02	(0.02)	-	-	-	-	-	-	-	-
1988	1989	T	0.52	0.15	0.08	-	0.75	0.12	0.02	0.14	0.89	-
1988	1989	D	(0.02)	0.02	-	-	-	-	-	-	-	-
1991	1992	D	(0.05)	0.05	-	-	-	-	-	-	-	-
1993	1994	R	(0.43)	(0.28)	(0.09)	-	(0.80)	(0.22)	(0.03)	(0.25)	(1.05)	-
			1.49	*1.01*	*0.34*	-	*2.84*	*0.80*	*0.12*	*0.92*	*3.76*	*0.12*
1993	1994	T	0.46	-	0.09	0.11	0.66	0.08	-	0.08	0.74	-
1995	1996	D	(0.04)	-	0.04	-	-	-	-	-	-	-
1997	1998	R	(0.39)	(0.21)	(0.10)	(0.02)	(0.72)	(0.18)	(0.02)	(0.20)	(0.92)	-
			1.52	*0.80*	*0.37*	*0.09*	*2.78*	*0.70*	*0.10*	*0.80*	*3.58*	*0.10*
1997	1998	T	0.17	0.16	0.12	0.04	0.49	0.04	0.01	0.05	0.54	-
1998	1999	T	(0.01)	-	0.01	0.12	0.12	-	-	-	0.12	-
2000	2001	R	(0.21)	(0.12)	(0.07)	(0.03)	(0.43)	(0.10)	(0.01)	(0.11)	(0.54)	-
			1.47	*0.84*	*0.43*	*0.22*	*2.96*	*0.64*	*0.10*	*0.74*	*3.70*	*0.09*
2001	2002	T	0.50	0.40	-	(0.02)	0.88	-	-	-	0.88	-
2002	2003	D	(0.03)	0.03	-	-	-	-	-	-	-	-
2005	2006	R	(0.24)	(0.16)	(0.04)	(0.03)	(0.47)	(0.08)	(0.01)	(0.09)	(0.56)	-
			1.70	*1.11*	*0.39*	*0.17*	*3.37*	*0.56*	*0.09*	*0.65*	*4.02*	*0.08*
2005	2006	T	0.30	0.22	0.15	-	0.67	-	-	-	0.67	-
2006	2007	D	0.07	-	(0.07)	-	-	-	-	-	-	-
2007	2008	D	(0.01)	-	0.01	-	-	-	-	-	-	-
2008	2009	D	-	-	-	-	-	(0.03)	0.03	-	-	-
2009	2010	R	(0.24)	(0.16)	(0.06)	(0.02)	(0.48)	(0.07)	(0.01)	(0.08)	(0.56)	(0.01)
			1.82	*1.17*	*0.42*	*0.15*	*3.56*	*0.46*	*0.11*	*0.57*	*4.13*	*0.07*
2010	2011	N	-	-	-	-	-	-	-	-	-	-
2011	2012	N	-	-	-	-	-	-	-	-	-	-
2012	2013	T	0.19	0.23	0.01	0.10	0.53	-	-	-	0.53	-
2013	2014	R	(0.10)	0.02	(0.01)	(0.07)	(0.16)	0.02	-	0.02	(0.14)	0.01
			1.91	*1.42*	*0.42*	*0.18*	*3.93*	*0.48*	*0.11*	*0.59*	*4.52*	*0.08*
2014	2015	N	-	-	-	-	-	-	-	-	-	-
2015	2016	D	-	-	-	-	-	(0.02)	0.01	-	-	-

Notes:
Nominal rates per $100 of assessed value from tax levy ordinances, not adjusted for appraisal (sales) or assessment ratios.
* The Fire District transfer of the GSD General Fund to the USD General Fund for fire protection.
** Reappraisals took place in tax years 1973, 1984, 1993, 1997, 2001, 2005, 2009 and 2013 (fiscal years 1973-74, 1984-85, 1993-94, 1997-98, 2001-02, 2005-06, 2009-10, 2013-14).
T = Tax increase; D = ReDistribution between funds; F = Fire tax change; N = No change in rates; R = Reappraisal (*next line is new certified rate*).

Property Tax Base, Assessment, Levy, and Appraisal Ratios

Property Taxes

Tax Year	Fiscal Year		Tax Base (billions)	Assessment (billions) GSD	USD	Tax Levy (in millions) GSD	USD	Total	% Uncol-lected	Appraisal Ratio
			$	$	$	$	$	$		
1962	1963									
1963	1964		n/a	0.771	0.471	28.5	9.3	37.8	2.79%	
1964	1965		n/a	0.804	0.486	29.7	9.7	39.5	2.42%	
1965	1966		n/a	0.845	0.505	29.5	9.1	38.6	2.79%	
1966	1967		n/a	0.898	0.529	31.3	9.5	40.8	2.46%	
1967	1968		n/a	0.951	0.556	33.3	10.0	43.3	2.14%	
1968	1969		n/a	1.004	0.581	35.1	10.4	45.5	2.01%	
1969	1970		n/a	1.135	0.655	39.6	11.7	51.3	4.04%	
1970	1971		n/a	1.242	0.712	43.5	12.8	56.3	5.95%	
1971	1972		n/a	1.298	0.728	53.6	13.9	67.5	3.79%	
1972	1973		n/a	1.365	0.736	56.3	14.0	70.3	4.08%	
1973	1974	**	n/a	1.449	0.765	58.7	15.3	74.0	5.33%	
1974	1975		n/a	1.590	1.009	64.3	18.7	83.0	4.63%	
1975	1976		n/a	1.670	1.056	68.1	19.8	87.9	4.70%	
1976	1977		n/a	1.726	1.087	70.5	20.4	90.9	4.99%	0.6500
1977	1978		n/a	1.742	1.266	72.9	23.7	96.6	4.48%	0.6500
1978	1979		n/a	1.794	1.328	74.9	25.0	99.9	3.13%	0.6660
1979	1980		n/a	1.868	1.376	78.0	25.9	103.9	4.03%	0.6100
1980	1981		n/a	1.940	1.428	90.3	32.0	122.4	3.06%	0.6100
1981	1982		n/a	1.955	1.435	91.0	32.2	123.2	3.19%	0.4480
1982	1983		n/a	2.020	1.487	94.0	33.4	127.4	3.07%	0.4480
1983	1984		n/a	2.060	1.521	96.2	34.3	130.4	2.54%	0.4305
1984	1985	**	n/a	4.497	3.298	96.8	34.5	131.3	3.68%	1.0000
1985	1986		n/a	4.944	3.606	132.2	41.4	173.5	2.65%	0.9476
1986	1987		n/a	5.159	3.749	143.1	44.6	187.7	3.18%	0.9476
1987	1988		n/a	5.644	4.089	156.6	48.7	205.2	6.26%	0.8138
1988	1989		21.405	5.920	4.271	208.7	56.8	265.5	5.02%	0.8138
1989	1990		23.350	5.985	4.259	211.1	56.6	267.7	5.70%	0.7766
1990	1991		23.979	6.132	4.561	215.9	60.7	276.6	5.83%	0.7766
1991	1992		23.986	5.975	4.408	210.4	58.6	269.1	6.35%	0.7767
1992	1993		23.711	6.032	4.438	212.5	59.0	271.5	4.92%	0.7767
1993	1994	**	24.155	7.646	5.536	261.7	62.0	323.7	4.67%	1.0000
1994	1995		24.555	7.809	5.543	266.7	62.1	328.8	3.04%	1.0000
1995	1996		26.686	7.949	5.567	271.5	62.4	333.9	2.87%	0.9054
1996	1997		27.908	8.193	5.692	279.9	63.7	343.7	2.97%	0.9054
1997	1998	**	33.706	10.648	7.303	340.9	69.4	410.3	3.46%	1.0000
1998	1999		34.408	10.896	7.491	361.8	71.1	433.0	3.65%	1.0000
1999	2000		38.576	11.087	7.579	368.2	72.0	440.2	3.61%	0.9098
2000	2001		39.576	11.390	7.752	378.4	73.6	452.0	3.50%	0.9098
2001	2002	**	42.634	13.373	9.029	504.5	75.8	580.4	3.85%	1.0000
2002	2003		42.989	13.463	9.022	508.9	74.9	583.8	3.90%	1.0000
2003	2004		45.151	13.280	8.792	502.1	73.0	575.0	3.27%	0.9455
2004	2005		45.746	13.432	9.168	507.5	76.1	583.6	3.08%	0.9455
2005	2006		50.477	15.534	10.514	619.2	76.7	695.5	3.28%	1.0000
2006	2007		51.736	15.968	10.920	633.5	79.7	713.3	0.64%	1.0000
2007	2008		60.386	16.237	11.053	643.7	80.7	724.4	0.77%	0.8780
2008	2009		61.881	16.413	11.309	659.8	82.6	742.3	1.01%	0.8780
2009	2010		63.157	19.222	13.253	675.0	84.8	759.8	1.45%	1.0000
2010	2011		63.280	19.208	13.220	674.6	84.6	759.2	1.07%	1.0000
2011	2012		63.128	19.104	13.245	670.8	84.8	755.6	1.35%	0.9982
2012	2013		63.259	19.161	13.283	763.5	93.0	856.4	1.29%	0.9982
2013	2014		65.810	20.210	14.287	781.6	96.0	877.6	1.56%	1.0000

** Tax Levy - Assessment per $100 x Tax Rate
*** Appraisal Ratio - Assessed value and market value

Note: In June 2007 the Metropolitan Government sold the majority of the 2006-07 and 2005-06 real estate property taxes outstanding to an outside party.

Source: Comprehensive Annual Financial Report

Metro Nashville and its Budget

Local Option Sales Tax

Local option sales tax collections provide the second largest source of revenue to the operating budget. Nashville's 9.25% sales tax rate consists of a 2.25% local option tax and a 7.00% state tax (the total rate is 7.25% on unprepared food, because the state rate for such food is 5.00%). The tax is levied on all retail sales in Davidson County, although the local portion is limited to the first $1,600 of the cost of each item. By state law, at least 1/2 of the local sales tax must be allocated to schools. The local option rate can be raised by referendum. Sales and sales taxes should reflect economic activity at the national and local levels, although some activities are not subject to the tax.

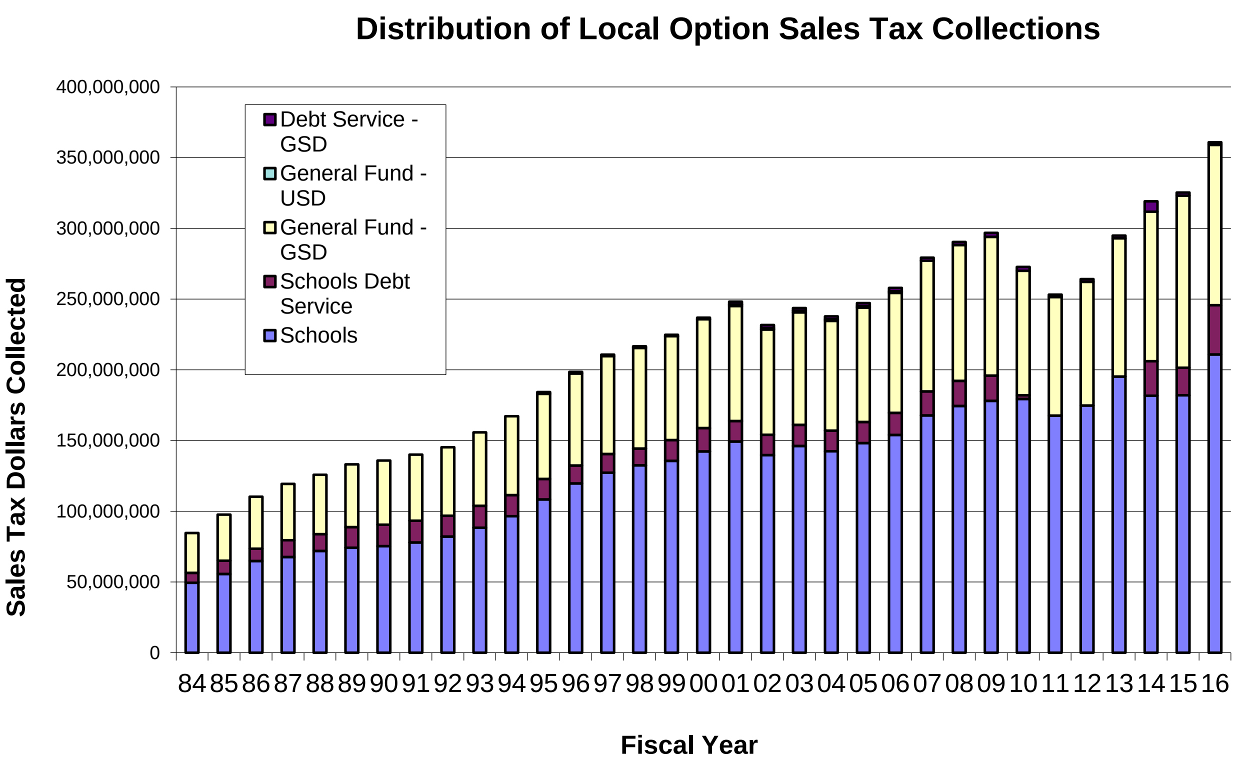
State & Federal Revenues

Major sources of revenue from the State of Tennessee are equalizing funds for education (based on average daily school attendance), healthcare-related revenues, and Metro's share of the gasoline tax. Most of these funds are categorical, being tied to specific functions and services.

The primary sources of federal funds received by Metro are categorical grants such as education funding, Title XX, Title III, and USDA nutrition funds, and reimbursements for services provided by Metro agencies such as the Health Department and Social Services. Most federal funds (including the entire Schools Special Grants Fund) are nondiscretionary in that their receipt requires Metro to carry out certain specified programs. Unrestricted grants such as revenue sharing are now rare.

Federal funds received by the government are subject to federal government single audit provisions. These provisions provide that grants are audited as part of the city's annual independent audit. In an effort to properly reflect federal and state revenues that may be subject to such audit, the Finance Department has reclassified many revenues from other categories to this "State and Federal" category.

The Finance Department has moved most grant revenues and expenditures from the general funds to various grant special revenue funds since FY2000.



Sources: FY84-14 Comprehensive Annual Financial Reports; FY15-16 Recommended Budget Ordinance

Other Local Revenues

The Metropolitan Government generates various revenues locally.

Licenses and Permits include the Business Tax, Wholesale Beer Tax, Motor Vehicle Regulatory License, Hotel Occupancy Privilege Tax, and building permit and franchise fees.

Charges for Current Services are derived from user fees and charges levied in return for specific services provided by Metro. Among the many fees and charges collected are revenues generated for health services, parking fees, ambulance fees, dog registration charges, vehicle emission test charges, fees for the use of parks' facilities, and waste disposal fees. Most of these fees are set by Metro, by the Council, or by action of oversight boards and commissions.

Fines, Forfeitures, and Penalties are collected by the various court clerks, the Sheriff, and the Police Department for fines, court costs, Sheriff's fees, DUI safety education, litigation taxes, and proceeds from confiscated property.

Revenue from the Use of Money or Property includes interest on investments and the rental of Metro-owned land and buildings. Metro investment practices emphasize safety, prudence, and liquidity; the government does not engage in speculative high-risk investments such as derivatives.

Commissions and Fees from Certain Officials consist of processing charges for services provided by the clerks of the courts and by the County Register. These fees are generally set by Metro or the state.

Transfers from Other Funds

Transfers may be made into the general funds of the GSD or USD from time to time from surpluses that have accumulated in certain special and working capital funds. Transfers are also made to reimburse various funds for services that are provided by those funds but are rightfully chargeable to another fund.

The FY2016 recommended budget continues to include the transfer of $3.2 million from the GSD General Fund to the GSD Debt Service Fund to help fund the stadium financing package; this amount is approximately equivalent to the former GSD General Fund's 1¢ share of the Hotel Occupancy Tax (see the description of that fund in Section J).[1]

Fund Balances

Fund balances are the difference between the government's assets and liabilities. They result from receiving more revenue than estimated and/or expending less than budgeted in prior years. They provide some protection against unexpected expenditures or revenue losses, and help to stabilize the government's finances.

Fund balances frequently increase by the end of the year due to actual revenues being higher than actual expenditures, often because of unspent appropriations and/or higher-than-estimated revenue collections. Metro's budget does not propose formally saving any money to increase unrestricted fund balances.

Management policy is that fund balances should remain at least 5% of expenditures for the general and schools funds and that they should not be used to support recurring expenditures. The budget typically appropriates a portion of fund balances from prior fiscal years to fund operations of the budgeted fiscal year and holds remaining balances in reserve for contingencies or future appropriation.

Conclusion

We anticipate revenues sufficient to fund budgeted expenditure appropriations in FY2016, and revenue estimates to be within the ±5% range (95% accuracy) considered normal in municipal finance.

Expenditures

The budget ordinance defines the operating budgets of the two general funds by department. It defines the operating budgets of the other budgetary and non-budgetary funds at the fund level, with a few funds (such as debt service and the Waste Management Fund) defined at more detailed levels.

Normal Cost Increases

The budget began with FY2016 projections equal to departments' FY2015 budgets. The budget was initially projected with no inflation or other increases. During the process, adjustments were made as follows:

- Adjustments for grant funding changes in FY2016.
- Elimination of FY2015 nonrecurring budgeted expenditures from the FY2015 projections.
- Adjustments for pay plan improvements implemented during this fiscal year.
- Fringe benefits – Costs for active employees in the open benefit plans (FICA, medical, dental, life, and Metro pension) are carried in departmental budgets. Departmental fringe benefits will change during the year due to decreased pension costs and medical plan increases during the fiscal year. The budget to cover these increases are included in the central Administrative accounts of the two general funds at the beginning of the fiscal year, but funds will not be distributed to departments' budgets until the actual increases are known.

Expenditure numbers are presented in the budget ordinance, which is included at the end of this executive summary, and in the three schedules of Appendix 1; more detail is presented in each department's "Financial" pages.

Conclusion: Within its budget, each department must cover all of its operating costs. The overall operating budget maintains and improves services, and meets certain new obligations.

1 The $4 million Water Services in-lieu-of-taxes component of the stadium package does not affect the six budgetary funds. In that component, Water Services will make monthly payments into the stadium indenture revenue fund. From that fund, Metro will make monthly debt service payments to the bond trustee, who makes semiannual interest payments and annual principal payments to the bondholders.